

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 USIA-06 PRS-01

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R 201712Z FEB 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 7710

INFO AMEMBASSY GUATEMALA

AMEMBASSY LIMA

AMEMBASSYMANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L CARACAS 1884

E.O. 11652: GDS

TAGS: ENRG, PFOR, PE, XK, VE

SUBJECT: VENEZUELAN OIL SCHEMES

REF: (A) STATE 34756; (B) CARACAS 1422; (C) GUATEMALA 913

1. EMBASSY REPORT ON PERUVIAN OIL AGREEMENT, AS GIVEN IN REF B, WAS BASED ON CONVERSATION WITH SOURCE IN CVP'S INTERNATIONAL NEGOTIATIONS DEPARTMENT. SINCE EMBASSY HAS NOT HAD OPPORTUNITY TO REVIEW TEXT OF PROPOSED OR ACTUAL AGREEMENT, OUR UNDERSTANDING OF AGREEMENT IS NO MORE COMPLETE THAN THAT OF DEPARTMENT.

2. FROM CONVERSATION WITH CVP SOURCE, ITA APPEARS THAT PETROPERU WILL BE OBLIGATED TO REPAY VENEZUELA ON A BARREL FOR BARREL BASIS THE QUANTITY OF OIL IT RECEIVES DURING THE LIFE OF THE AGREEMENT. IF THE AGREEMENT SPECIFIES THAT THE FINANCIAL TERMS WILL BE BASED  
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ON PREVAILING WORLD MARKET PRICES, THE FOLLOWING ASSUMPTION COULD

BE CONSTRUCTED TO DEMONSTRATE THAT THIS OIL DEAL WOULD BE ADVANTAGEOUS TO PERU. ASSUME THAT OIL PRICE DECLINES GRADUALLY OVER TWO YEARS FROM ESTIMATED \$11 TO \$9 PER BARREL AT RATE THAT WOULD GIVE AVERAGE PER BARREL PRICE FOR PERIOD OF \$10. WITH ONE-HALF ESTIMATED VALUE OF APPROXIMATELY 15 MILLION BARRELS, OR \$75 MILLION, NOT PAID ON CURRENT BASIS, AND REPAYABLE IN OIL AT THEN ESTIMATED \$9 PRICE, VALUE OF OIL PERU WOULD BE REQUIRED TO SHIP WOULD BE AT LEAST \$7.5 MILLION LESS THAN VALUE OF OIL IT RECEIVED FROM VENEZUELA (7.5 MILLION BBLs. AT \$9 PER BARREL). THUS, PERU COULD REALIZE A SAVINGS ON FOREIGN EXCHANGE. AMOUNT WOULD BE TEMPERED BY INTEREST PAYMENTS, OF COURSE. IF OIL PRICE DECLINES FURTHER, SAVINGS WOULD BE MORE. IF TRANSACTION IS FIXED ON PRESENT WORLD MARKET PRICE, OR IF OIL PRICE INCREASES DURING INTERIM, ASSUMPTION WOULD NOT BE VALID. EMBASSY REPORT (REF B) PROBABLY CREATED MISUNDERSTANDING BY ATTEMPTING TO ESTIMATE VALUE OF OIL PERU WOULD OWE VENEZUELA BASED ON ESTIMATED CURRENT MARKET PRICE.;

3. COMMENT IN PARAGRAPH 4 TO EFFECT THAT THERE HAS BEEN NO FORWARD MOVEMENTS TOWARDS ACTUAL IMPLEMENTATION OF CENTRAL AMERICAN OIL SCHEME WAS BASED ON STATEMENT TO EMBASSY OFFICER BY DIRECTOR OF HYDROCARBONS OF MINISTRY OF MINES AND HYDROCARBONS. HE PROBABLY MEANT THAT HIS MINISTRY WAS SO PREOCCUPIED WITH OTHER MATTERS THAT IT HASN'T BEGUN TO WORK UP DATA THAT THE INVESTMENT FUND AND CENTRAL BANK WILL REQUIRE TO CREDIT CENTRAL AMERICAN CENTRAL BANKS AT END OF FIRST QUARTER. WHILE AGREEMENTS STATE THAT EACH COUNTRY HAS AN OIL QUOTA MAXIMUM BASED ON 1974 LEVELS, IT IS NOT AT ALL CERTAIN THAT ALL THE COUNTRIES WILL ACHIEVE THEIR MAXIMUM. REVIEWING NINE-MONTH 1974 SHIPMENTS TO THOSE COUNTRIES, COMPARED WITH 1973 LEVELS, IT IS NOTED THAT VENEZUELAN SHIPMENTS TO PANAMA DECREASED BY 26 PERCENT, TO GUATEMALA BY 19 PERCENT, TO COSTA RICA BY 9 PERCENT, TO EL SALVADOR BY 12 PERCENT, TO NICARAGUA BY 2 PERCENT, WHILE INCREASING ONLY TO HONDURAS BY 4 PERCENT. VENEZUELAN 1975 PRODUCTION AND EXPORTS ARE CONTINUING TO DROP. THEREFORE, EMBASSY ASSUMES THAT CREDITS TO CENTRAL AMERICA WILL NOT BE MERELY CALCULATED ON THE MAXIMUM QUOTAS, BUT INSTEAD WILL BE BASED ON ACTUAL SHIPMENTS DURING THIS QUARTER. ALSO, AS POINTED OUT IN REF C, VENEZUELAN MISSION HAS YET TO VISIT CENTRAL AMERICA TO COMPLETE INDIVIDUAL COUNTRY NEGOTIATIONS.

4. WE HOPE TO DEVELOP MORE INFORMATION ON BOTH AGREEMENTS AND WILL  
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CONTINUE TO REPORT ON THIS SUBJECT.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, REPORTS, CREDIT AGREEMENTS, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975CARACA01884  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750061-0522  
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**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 34756, 75 CARACAS 1422, 75 GUATEMALA 913  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 SEP 2003 by ElyME>; APPROVED <09 SEP 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** VENEZUELAN OIL SCHEMES  
**TAGS:** ENRG, PFOR, PE, XK, VE, PETROPERU  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006